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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
RUCNCIS/CIS COLLECTIVE PRIORITY

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RUEHAK/AMEMBASSY ANKARA PRIORITY 2971

RUEHBJ/AMEMBASSY BEIJING PRIORITY 0789

RUEHKO/AMEMBASSY TOKYO PRIORITY 0665

RUEHIT/AMCONSUL ISTANBUL PRIORITY 1244

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHVEN/USMISSION USOSCE PRIORITY 1894

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUEKJCS/JOINT STAFF WASHDC PRIORITY

UNCLAS SECTION 01 OF 04 ASHGABAT 001230

SIPDIS

SENSITIVE

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SUBJECT: TURKMENISTAN: PRESIDENT SHAKES UP HIS ECONOMIC
MANAGERS; UNOFFICIAL EXCHANGE RATE PLUNGES

REF: ASHGABAT 1124

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: During a November 12 session of the Cabinet of Ministers held less than a week after his return from Brussels, President Berdimuhamedov renamed the Ministry of Trade and Consumer Cooperation the Ministry of Trade and Foreign Economic Relations, and cleared out a number of economic and some educational non-performers in his administration in a lengthy cabinet meeting on November 12. He also removed two provincial governors, allowed a third to resign for health reasons, and put the remaining two on notice that their performance had also been below par. He also called on Turkmenistan's financial bodies to pull together a plan within ten days to unify the currency rate by ¶2009. On November 14, the unofficial exchange rate began to collapse (see para 15 below). Berdimuhamedov seems to be acting in parallel, by his own lights, to what he has recently heard in New York and Brussels, and seems to be attempting to put some substance behind assurances that the foreign investment climate will improve. END SUMMARY.

¶3. (SBU) During an expanded Cabinet of Ministers meeting on November 12, President Berdimuhamedov announced a multitude of firings on the local, provincial, and national level for shortcomings on the job. In addition, the Ministry of Trade and Consumer Cooperation was renamed the Ministry of Trade and Foreign Economic Activity. Deputy Minister of Economy and Finance Tuvakmament Japarov, a frequent Embassy interlocutor, was appointed Chairman of the Supreme Auditing Chamber. Berdimuhamedov announced that the dual exchange rate must be unified by 2009 and declared there would soon be a ten percent salary increase for all state employees.

ANNOUNCEMENTS RELATED TO ECONOMIC SECTOR

¶4. (SBU) Berdimuhamedov named Nokerguly Atagulyev, head of the Food Industry Association, the new Minister of the Ministry of Trade and Foreign Economic Activity. Previously known as the Ministry of Trade and Consumer Cooperation, this ministry's new name reflects a greater emphasis on coordinating all foreign economic transactions, including investment activities. Berdimuhamedov gave former minister Gurban Melekeev a gracious exit by thanking him for his hard work and awarding him with the "For Love to His Motherland" order. His dismissal is seen not as a firing, but as a way to make room for a younger and more capable performer who will be able to make the changes that need to be made.

¶5. (SBU) Berdimuhamedov also announced the appointment of Hojamuhmet Muhammedov, former Director of the Supreme Control Chamber, to the post of Deputy Chairman of the Cabinet of Ministers for trade and commerce issues. This extensive portfolio also includes economy, finance, textiles, and agriculture. Deputy Minister of Economy and Finance Tuvakmamekt Japarov was appointed Chairman of the Supreme Auditing Chamber. (NOTE: Embassy officers have often met with Japarov at MOEF meetings and found him engaged and open-minded. END NOTE.)

DUAL EXCHANGE RATE: IT'S TIME TO GO AWAY

¶6. (SBU) Berdimuhamedov stated that Turkmenistan is losing too much money as a result of its dual currency exchange rate. He tasked Central Bank (CBT) Chairman Geldimyrat Abylov and Minister of Economy and Finance Hojamyrat Geldimyradov to prepare a plan within ten days for fully implementing a unified exchange rate by the time Turkmenistan's new currency is circulated in 2009 (reftel).

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He also announced a ten percent salary increase for all state employees, effective January 1, 2008, although teachers are exempt from this raise since they just received raises in September.

SHUFFLES LINKED TO SHORTCOMINGS IN AGRICULTURE SECTOR

¶7. (SBU) Berdimuhamedov announced several demotions and appointments primarily on the provincial and local level. While he did not directly link these dismissals to shortcomings in the agricultural sector, they seem to reflect a dissatisfaction with this year's cotton harvest.

-- Governor of Ahal province Gurbanberdi Orazmyradov was demoted. In announcing his decision, Berdimuhamedov said that Orazmyradov had not made any improvements in Ahal during his tenure. Mayor of Dashoguz City Mammetniyaz Nurmammedov was named the new governor. Berdimuhamedov acknowledged inflated statistics, and announced that the General Procurator's Office is investigating an unspecified situation in Ahal province. Berdimuhamedov also referred to a videotape that proves that the farmers did not receive necessary support.

-- Governor of Mary province Muhammet Gurbannazarov was demoted. Mary City Mayor Kakageldi Gurbanov was named new governor.

-- The governor of Lebap province, Tagaymyrat Mammedov, was allowed to resign for health reasons. Charyyar Odeberdiyev was appointed governor of Lebap province.

-- Chairman of Dayhanbank Tumar Mammedov was fired. Berdimuhamedov criticized him and Central Bank Chairman Abylov for not paying farmers on a timely basis. Rejepgeldi Sopyev was appointed the new chairman.

-- Livestock Association Chairman Atanazar Bayramlyev was fired. Berdimuhamedov mentioned his connection to construction of an apartment building that lacked an elevator and heating, from which he financially benefited.

CHANGES TO PAYMENT STRUCTURE FOR AND MARKETING OF COTTON

¶18. (SBU) Berdimuhamedov stated that entities should properly compensate farmers, since the farmers are doing the hard work. The Stock Exchange sells cotton for hard currency, and therefore, half of all payments to cotton farmers should be made in foreign currency. Dayhanbank will extend credit to a new sales organization that will pay farmers immediately for crops.

CHANGES IN LEADERSHIP OF EDUCATION INSTITUTIONS

¶19. (SBU) Noting the need for rapid reforms in education, Berdimuhamedov also announced dismissals and appointments in higher education:

-- The Rector of the Turkmen Polytechnical Institute, Gurbanberdi Garyagdyev, was dismissed due to poor health, and is replaced by Yaza Mowlamov.

-- The Rector of the Turkmen Agricultural University, Annaberdi Mammedov, was dismissed due to poor health, and is replaced by Gurbandurdy Mammetgulyev.

-- The Rector of Turkmen State University, Ashyrgeldi Gulgarayev, was dismissed for poor management of the institution. Berdimuhamedov noted his youth and lack of experience. Rector of the Asadi Institute of World Languages

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Charyyar Tugyev was appointed the new rector. Until February 2007, Gulgarayev was also Minister of Justice.

CABINET OF MINISTERS TO REVIEW ELEVEN MONTHS OF BERDIMUHAMEDOV; MORE SHUFFLES PROBABLE

¶10. (SBU) In ten days, the Cabinet of Ministers will review the first 11 months of Berdimuhamedov's administration. The Cabinet will also review the performance of the Deputy Chairman for Industry and Communications Gurbannazar Ashyrov and the Deputy Chairman for Education Hydry Saparlyev, who Berdimuhamedov criticized specifically for the slow pace of reforms. Berdimuhamedov did not give the floor to Ashyrov at this meeting.

BIOGRAPHIES

¶11. (SBU) Minister of Trade and Foreign Economic Relations Nokerguly Atagulyev was born in 1964 in Gokdepe, Ahal province. He graduated in 1995 from Turkmen Agricultural University with a degree in economics. He was chairman of the Food Industry of Turkmenistan from October 2006 to November 2007. From 1998, he held various positions including Acting General Director and Deputy General Director of the Mary Sugar Joint-Stock Company, and Senior Accountant at the Serdar Joint-Stock Company.

¶12. (SBU) Chairman of the Supreme Auditing Chamber Tuwakkammed Japarov was born in 1966 in Bereket, Balkan province. He graduated from Turkmen Polytechnic Institute in 1993 with a degree in mechanical engineering. From February to November 2007, he held the position of Deputy Minister of Economy and Finance. From 1999 to 2005 he was a Chief Specialist at the Cabinet of Ministers, working with the Ministry of Economy and Finance and the State Tax Service on Income and expenditure issues of the state budget.

¶13. (SBU) Deputy Chairman of the Cabinet of Ministers for Economy, Finance, Textiles, and Agriculture Hojamuhammet Muhammedov was born in 1966 in Ashgabat. He graduated from the Turkmen Institute of National Economy in 1993 with a degree in economics. From July to November 2007, he was Chairman of the Supreme Auditing Chamber. From January to July 2007, he was Chairman of the State Commodity and Raw Materials Exchange. From September 2005 to January 2006, he

was Deputy Chairman of the State Commodity and Raw Materials Exchange. From 1998-2005, Muhammedov was Director of the Gulistan trade center, otherwise known as Russian Bazaar in Ashgabat.

¶14. (SBU) COMMENT: By declaring how officials violated the public trust at their firing, Berdimuhamedov is continuing his fight against corruption. While the stated intentions to compensate farmers more fairly, to improve education, and to implement currency reform are good news, we await further developments -- and results -- in these areas. But the very fact that Berdimuhamedov is making these changes indicates a wish on his part to follow through on promises that Turkmenistan's foreign investment climate will improve. His moves required a degree of political bravery, since currency reform, in particular, will break some iron rice bowls and cause some social disruption (reftel).

¶15. (SBU) COMMENT CONTINUED: The few who are paid in hard currency -- employees of foreign missions, international organizations, and foreign companies -- will be hurt in the short term as the value of their paychecks is virtually cut in half, if as projected the united exchange rate meets in the middle of 5,000 and 23,600. (NOTE: On November 14, the unofficial exchange rate began collapsing precipitously. At

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noon, it was 21,000 to the dollar. By 1400 hours, it had plunged to 19,000. According to street rumor, the rate was expected to hover at 15,000 by the end of the business day. It is too early to speculate why this is happening, although some observers have long suspected the Central Bank actually controls the unofficial rate. END NOTE.) Those who have not yet realized the potential effects of exchange rate unification almost certainly will do so when food prices -- many of which already are higher than a year ago -- rise even more steeply. Right now, those who understand the inevitable economic changes are buying goods such as automobiles, real estate, and gold. END COMMENT.

HOAGLAND